招商局國際有限公司
CHINA MERCHANTS HOLDINGS (INTERNATIONAL) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 144)

Consolidated profit attributable to shareholders of the Company reached HK$3,545 million, up by 39.6%
Earnings per share from continuing operations: 141.98 HK cents, up by 39.0%

2007 ANNUAL RESULTS ANNOUNCEMENT

The Board of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2007 as follows:

CONSOLIDATED INCOME STATMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 *HK$'million*	2006 *HK$'million*
Continuing operations			
Revenue	2	6,258	3,961
Cost of sales	4	(3,867)	(2,698)
Gross profit		2,391	1,263
Other gains, net	3	188	175
Other income	3	27	18
Loss on deemed disposal of partial interest in an associate		—	(152)
Distribution costs	4	(325)	(248)
Administrative expenses	4	(555)	(385)
Operating profit		1,726	671
Finance income	5	32	21
Finance costs	5	(577)	(382)
Finance costs - net	5	(545)	(361)
Share of profits less losses of			
Associates		2,645	2,184
Jointly controlled entities		60	249
Profit before taxation		3,886	2,743
Taxation	6	(210)	(79)

	Note	2007	2006
		HK$'million	*HK$'million*
Profit for the year from continuing operations		3,676	2,664
Discontinued operations			
Profit for the year from discontinued operations		219	229
Profit for the year		3,895	2,893
Attributable to:			
Shareholders of the Company			
- continuing operations		3,366	2,371
- discontinued operations		179	169
		3,545	2,540
Minority interest			
- continuing operations		310	293
- discontinued operations		40	60
		350	353
Profit for the year		3,895	2,893
Dividends	7	1,563	1,235
Earnings per share for profit attributable to the shareholders of the Company	8		
From continuing operations			
- basic (HK cents)		141.98	102.15
- diluted (HK cents)		141.12	101.81
From discontinuing operations			
- basic (HK cents)		7.55	7.28
- diluted (HK cents)		7.50	7.26

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

	Note	2007 *HK$'million*	2006 *HK$'million*
ASSETS			
Non-current assets			
Goodwill		3,750	281
Property, plant and equipment		11,201	7,999
Investment properties		692	603
Leasehold land and land use rights		6,605	3,104
Interests in associates		16,204	12,645
Interests in jointly controlled entities		2,368	4,421
Other financial assets		500	917
Prepayment		434	2,066
Deferred tax assets		36	22
		41,790	32,058
Current assets			
Inventories		324	239
Development properties for sale		—	387
Debtors, deposits and prepayments	9	1,895	1,523
Tax recoverable		1	4
Cash and cash equivalents		1,230	781
		3,450	2,934
Non-current assets held for sale		446	94
		3,896	3,028
Total assets		45,686	35,086
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital		241	233
Reserves		26,601	20,688
		26,842	20,921
Minority interest		1,633	2,522
Total equity		28,475	23,443

	Note	2007	2006
		HK$'million	*HK$'million*
LIABILITIES			
Non-current liabilities			
Other financial liabilities		7,091	6,082
Non-current payable		—	320
Deferred tax liabilities		468	243
		7,559	6,645
Current liabilities			
Creditors and accruals	10	3,409	2,272
Taxation payable		37	21
Other financial liabilities		6,206	2,705
		9,652	4,998
Total liabilities		17,211	11,643
Total equity and liabilities		45,686	35,086
Net current liabilities		(5,756)	(1,970)
Total assets less current liabilities		36,034	30,088

Notes:

1. **Basis of preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(i) *Standards, amendments to Standards and interpretations effective in 2007*

In 2007, the Group adopted the following Standards, amendments to Standards and interpretations of HKFRS issued by the Hong Kong Institute of Certified Public Accountants, which became effective for accounting periods beginning on or after 1 January 2007.

- HKFRS 7 'Financial instruments: Disclosures', and the complementary amendment to HKAS 1 'Presentation of financial statements — Capital disclosures', introduces new disclosures relating to financial instruments and capital management. The adoptions of the new Standard and amendment to Standard do not have any significant impact on the classification and valuation of the Group's financial instruments.

- HK(IFRIC) - Int 8 'Scope of HKFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. The adoption of this interpretation does not have any significant impact on the Group's financial statements.

- HK(IFRIC) - Int 10 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The adoption of this interpretation does not have any significant impact on the Group's financial statements.

(ii) *Standards, amendments to Standards and interpretations effective in 2007 but not relevant to the Group's operations*

The following interpretations to published Standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations.

- HK(IFRIC) - Int 7 'Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies'; and

- HK(IFRIC) - Int 9 'Re-assessment of embedded derivatives'.

(iii) *Standards, amendments to Standards and interpretations to existing Standards that have been issued but are not yet effective in 2007 and have not been early adopted by the Group*

The following Standards, amendments to Standards and interpretations to existing Standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them.

- HKAS 1 (Revised) 'Presentation of Financial Statements';

- HKAS 23 (Revised) 'Borrowing Costs';

- HKAS 27 (Revised) 'Consolidated and Separate Financial Statements' ;

- HKFRS 2 Amendment 'Share-based Payment Vesting Conditions and Cancellations' ;

- HKFRS 3 (Revised) 'Business Combination' ;

- HKFRS 8 'Operating Segments';
- HK(IFRIC) - Int 11 'HKFRS 2 - Group and treasury share transaction';
- HK(IFRIC) - Int 12 'Service concession arrangements';
- HK(IFRIC) - Int 13 'Customer loyalty programmes'; and
- HK(IFRIC) - Int 14 'HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'.

2. **Revenue**

The principal activities of the Group comprise ports operations and ports-related operations. Revenue recognised during the year is as follows:

	2007 *HK$'million*	**2006** *HK$'million*
Continuing operations		
Ports service and transportation income, container service and container yard management income	3,318	1,919
Sale of paints and related goods	2,913	2,013
Gross rental income from investment properties	27	29
	6,258	3,961
Discontinued operations		
Sale of development properties	171	404
Total	6,429	4,365

The amounts labelled as "Company and subsidiaries" below represent the Group's revenue. The amounts labelled as "Share of associates" and "Share of jointly controlled entities" below represent the Group's share of revenue of associates and jointly controlled entities respectively. An analysis of the Group's revenue by business segments is as follows:

	Company and subsidiaries		**Share of associates**		**Share of jointly controlled entities**		**Total**	
	2007	*2006*	*2007*	*2006*	*2007*	*2006*	*2007*	*2006*
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Continuing operations								
Ports operations	3,318	1,919	6,354	5,435	249	499	9,921	7,853
Ports-related operations	2,913	2,013	11,182	7,388	—	—	14,095	9,401
Other operations								
Property investment	27	29	—	—	—	—	27	29
	6,258	3,961	17,536	12,823	249	499	24,043	17,283
Discontinued operations								
Toll road	—	—	—	—	210	350	210	350
Property development	171	404	—	—	—	—	171	404
	171	404	—	—	210	350	381	754
Total	6,429	4,365	17,536	12,823	459	849	24,424	18,037

An analysis of the Group's results, share of profits of associates and jointly controlled entities by business segments is as follows:

	Company and subsidiaries		Share of profits of associates		Share of profits of jointly controlled entities		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Continuing operations								
Ports operations	1,436	539	1,902	1,551	60	249	3,398	2,339
Ports-related operations	286	180	743	633	-	-	1,029	813
Other operations								
Property investment	149	62	-	—	—	—	149	62
Others	-	8	-	—	—	—	—	8
	149	70	-	—	—	—	149	70
	1,871	789	2,645	2,184	60	249	4,576	3,222
Unallocated income less expenses							(145)	(118)
Finance income							32	21
Finance costs							(577)	(382)
Taxation							(210)	(79)
Profit for the year from continuing operations							3,676	2,664
Discontinued operations								
Toll road	17	8	-	—	119	187	136	195
Property development	13	52	-	—	-	-	13	52
	30	60	-	-	119	187	149	247
	1,901	849	2,645	2,184	179	436		
Gain on disposal of discontinued operations							77	—
Finance income							7	12
Finance costs							(5)	(10)
Taxation							(9)	(20)
Profit for the year from discontinued operations							219	229
Profit for the year							3,895	2,893

An analysis of the Group's segment assets and liabilities by business segment is as follows:

	Segment assets		Interests in associates		Interests in jointly controlled entities		Segment liabilities		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Ports operations	23,561	14,424	12,174	9,804	2,368	1,919	(8,945)	(3,969)	29,158	22,178
Ports-related operations	1,742	1,220	4,030	2,841	—	—	(929)	(615)	4,843	3,446
Other operations										
Toll road	446	992	—	—	—	2,502	—	—	446	3,494
Property development	—	718	—	—	—	—	—	(4)	—	714
Property investment	700	387	—	—	—	—	(5)	(130)	695	257
Others	19	16	—	—	—	—	—	—	19	16
	1,165	2,113	—	—	—	2,502	(5)	(134)	1,160	4,481
	26,468	17,757	16,204	12,645	2,368	4,421	(9,879)	(4,718)	35,161	30,105
Unallocated assets									609	237
Unallocated liabilities									(6,827)	(6,661)
Tax recoverable									1	4
Taxation payable									(37)	(21)
Deferred tax assets									36	22
Deferred tax liabilities									(468)	(243)
									28,475	23,443

An analysis of the Group's capital expenditure and depreciation and amortisation by business segment is as follows:

	Capital expenditure		Depreciation and amortisation	
	2007	**2006**	**2007**	**2006**
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*
Ports operations	7,895	2,319	618	358
Ports-related operations	40	18	13	12
Property investment	7	2	7	6
Others	—	—	1	1
Unallocated	—	—	—	1
	7,942	2,339	639	378

An analysis of the Group's revenue and contribution to operating profit by geographical segment is as follows:

	Revenue		Segment results	
	2007	**2006**	**2007**	**2006**
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*
Continuing operations				
Hong Kong	407	392	188	177
Mainland China	5,531	3,348	1,652	591
Others	320	221	31	21
	6,258	3,961	1,871	789
Unallocated income less expenses			(145)	(118)
Operating profit from continuing operations			1,726	671
Discontinued operations				
Mainland China	—	—	17	8
New Zealand	171	404	13	52
Revenue/Operating profit from discontinued operations	171	404	30	60
Revenue/operating profit	6,429	4,365	1,756	731

An analysis of the assets and capital expenditure by geographical segment is as follows:

	Segment assets		Capital expenditure	
	2007	**2006**	**2007**	**2006**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*
Hong Kong	1,013	1,308	14	10
Mainland China	25,455	15,959	7,928	2,327
New Zealand	—	461	—	2
Others	—	29	—	—
	26,468	17,757	7,942	2,339

3 **Other gains, net and other income**

	Continuing operations		Discontinued operations		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
Other gains, net						
Increase in fair value of investment properties	132	55	—	—	132	55
Increase in fair value of other financial assets at fair value through profit or loss	—	7	—	—	—	7
Gain on disposal of property, plant and equipment and land use rights	10	—	—	—	10	—
Gain on disposal of an available-for-sale financial asset	—	61	—	—	—	61
Gains on disposal of jointly controlled entities	—	—	13	1	13	1
Net exchange gains	46	41	7	8	53	49
Others	—	11	—	—	—	11
	188	175	20	9	208	184
Other income						
Income from held-to-maturity investments	1	—	4	9	5	9
Dividend income	13	2	—	1	13	3
Others	13	16	—	—	13	16
	27	18	4	10	31	28

4 Expenses by nature

	Continuing operations		Discontinued operations		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Changes in inventories of finished goods	—	(48)	—	—	—	(48)
Cost of raw materials and consumables used	2,223	1,569	—	—	2,223	1,569
Cost of development properties sold	—	—	140	320	140	320
Staff costs (including Directors' emoluments)	623	488	18	26	641	514
Depreciation of property, plant and equipment	510	320	1	1	511	321
Amortisation of leasehold land and land use rights	128	57	—	—	128	57
Auditor's remuneration	14	14	1	—	15	14
Operating lease rentals in respect of						
- land and buildings	98	93	—	—	98	93
- plant and machinery	26	16	—	—	26	16
Other expenses	1,125	822	5	16	1,130	838
Total cost of sales, distribution costs and administrative expenses	4,747	3,331	165	363	4,912	3,694

5 **Finance income and costs**

	Continuing operations		Discontinued operations		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Interest expense on:						
Bank borrowings, wholly repayable within five years	(239)	(204)	(5)	(10)	(244)	(214)
Bank borrowings, not wholly repayable within five years	(17)	(24)	—	—	(17)	(24)
Listed notes payable, not wholly repayable within five years	(212)	(211)	—	—	(212)	(211)
Amounts due to minority shareholders of subsidiaries	(4)	(3)	—	—	(4)	(3)
Other financial liabilities	(152)	—	—	—	(152)	—
Total borrowing costs incurred	(624)	(442)	(5)	(10)	(629)	(452)
Less: amount capitalised in assets under construction	47	60	—	—	47	60
Finance cost	(577)	(382)	(5)	(10)	(582)	(392)
Interest income from:						
Bank deposits	30	17	7	12	37	29
Available-for-sale financial assets	2	4	—	—	2	4
Finance income	32	21	7	12	39	33
Finance costs - net	(545)	(361)	2	2	(543)	(359)

Capitalisation rate of 5.678% (2006: 5.172%) per annum was used, representing the weighted average rate of the costs of borrowings used to finance the assets under construction.

6 **Taxation**

Hong Kong profits tax has been provided for at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year.

The Group's operations in Mainland China are subject to Foreign Enterprise Income Tax of the People's Republic of China (the "PRC Foreign Enterprise Income Tax") at a tax rate of 10% to 15% on assessable profits. The Group's certain major operating subsidiaries of the Group are exempted from PRC Foreign Enterprise Income Tax in the first two to five profit making years and followed by a 50% reduction in the PRC Foreign Enterprise Income Tax for the next three to five years thereafter.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The corporate income tax rate for foreign invested enterprises established in PRC will be 18%, 20%, 22% and 24% in 2008, 2009, 2010 and 2011 respectively. 25% standard rate will apply from year 2012 onwards. The Group's subsidiaries will continue to enjoy the preferential tax rates during the exemption period. The tax rate increase impacts the carrying values of deferred tax asset and liabilities which are provided for at rates at which the assets and liabilities are expected to reverse. 10% withholding income tax will also be imposed on dividends relating to profits earned in year 2008 onwards to foreign investors starting from 1 January 2008. For investors incorporated in Hong Kong, preferential rate of 5% will be applied.

Taxation outside Hong Kong and Mainland China has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	Continuing operations		**Discontinued operations**		**Total**	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'million	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*	*HK$'million*
Hong Kong profits tax						
Current year	8	7	—	—	8	7
Over provision in prior years	(1)	—	—	—	(1)	—
PRC Foreign Enterprise Income Tax						
Current year	87	62	—	—	87	62
Under provision in prior years	35	3	—	—	35	3
Overseas taxation						
Current year	—	—	9	18	9	18
Under provision in prior years	—	1	—	—	—	1
Deferred taxation						
(Credited)/charged for the year	(12)	6	—	2	(12)	8
Effect of change in tax rate	93	—	—	—	93	—
	210	79	9	20	219	99

7. **Dividends**

	2007	**2006**
	HK$'million	*HK$'million*
Interim, paid, of 20 HK cents (2006: 17 HK cents) per share	480	394
Final, proposed, of 45 HK cents (2006: 36 HK cents) per share	1,083	841
	1,563	1,235

At a meeting held on 15 April 2008, the Directors proposed a final dividend of 45 HK cents which will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an alternative to shareholders to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment. This proposed dividend is not reflected as a dividend payable in these financial statements but will be reflected as an appropriation of retained earnings for the year ending 31 December 2008.

The amount of proposed final dividend for 2007 was based on 2,406,413,200 (2006: 2,334,852,168) shares in issue as at 15 April 2008.

8. **Earnings per share**

Basic earnings per share is calculated by dividing the Group's profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

Basic	**Continuing operations**	**Discontinued operations**	**Total**
For the year ended 31 December 2007			
Profit attributable to shareholders of the Company (HK$'million)	3,366	179	3,545
Weighted average number of ordinary shares in issue	2,370,334,871	2,370,334,871	2,370,334,871
Basic earnings per share (HK cents)	141.98	7.55	149.53
For the year ended 31 December 2006			
Profit attributable to shareholders of the Company (HK$'million)	2,371	169	2,540
Weighted average number of ordinary shares in issue	2,320,044,447	2,320,044,447	2,320,044,447
Basic earnings per share (HK cents)	102.15	7.28	109.43

Diluted earnings per share is calculated by adjusting weighted average number of ordinary shares outstanding to assume all outstanding options had been exercised at nil consideration.

Diluted	**Continuing operations**	**Discontinued operations**	**Total**
For the year ended 31 December 2007			
Profit attributable to shareholders of the Company (HK$'million)	3,366	179	3,545
Weighted average number of ordinary shares in issue	2,370,334,871	2,370,334,871	2,370,334,871
Adjustment for share options	14,513,217	14,513,217	14,513,217
Weighted average number of ordinary shares for diluted earnings per share	2,384,848,088	2,384,848,088	2,384,848,088
Diluted earnings per share (HK cents)	141.12	7.50	148.62
For the year ended 31 December 2006			
Profit attributable to shareholders of the Company (HK$'million)	2,371	169	2,540
Weighted average number of ordinary shares in issue	2,320,044,447	2,320,044,447	2,320,044,447
Adjustment for share options	7,694,787	7,694,787	7,694,787
Weighted average number of ordinary shares for diluted earnings per share	2,327,739,234	2,327,739,234	2,327,739,234
Diluted earnings per share (HK cents)	101.81	7.26	109.07

9. **Debtors, deposits and prepayments**

Debtors, deposits and prepayments balance includes trade debtors of HK$1,668 million (2006: HK$1,120 million).

The Group has a credit policy of allowing an average credit period of 90 days to its trade customers. The ageing analysis of trade debtors is as follows:

	2007	**2006**
	HK$'million	*HK$'million*
Not yet due	587	412
1 - 30 days	366	271
31 - 60 days	291	178
61 - 120 days	238	132
Over 120 days	186	127
	1,668	1,120

10. **Creditors and accruals**

Creditors and accruals balance includes trade creditors of HK$615 million (2006: HK$510 million). The ageing analysis of the trade creditors is as follows:

	2007	**2006**
	HK$'million	*HK$'million*
0 - 30 days	550	438
31 - 60 days	49	29
61 - 120 days	11	10
Over 120 days	5	33
	615	510

PROPOSED FINAL DIVIDEND AND SCRIP DIVIDEND SCHEME

The Directors have recommended the payment of a final scrip dividend for the year ended 31 December 2007 of 45 HK cents per share (2006: 36 HK cents), payable on or around 4 July 2008 to the shareholders whose names appear on the Register of Members of the Company as at the date of the 2008 Annual General Meeting, with an alternative to the shareholders to elect to receive such final dividend (or part thereof) in cash in lieu of such allotment (the "Scrip Dividend Scheme").

Subject to the approval by shareholders in the 2008 Annual General Meeting, a circular containing details of the Scrip Dividend Scheme together with the relevant election form will be sent to shareholders on or around 5 June 2008. The Scrip Dividend Scheme is conditional upon the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the new shares to be issued pursuant thereto. It is expected that the final dividend warrants and certificates for the new shares will be dispatched to shareholders on or around 4 July 2008.

CLOSURE OF REGISTER

The Register of Members will be closed from 19 May 2008 to 23 May 2008 (both days inclusive), during which no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers and the relevant share certificates must be lodged with the Company's Registrar, Computershare Hong Kong Investor Services Limited, at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 16 May 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

According to Global Economic Outlook published by the United Nations, global economic growth in 2007 whilst having somewhat slowed due mainly to the impact of the sub-prime mortgage crisis in the U.S, still displayed a strong performance as a whole when compared with that for 2006. Emerging markets in Asia such as China still dominated as the major driving force for growth. Preliminary statistics released by the National Bureau of Statistics of China revealed that China's Gross Domestic Product in 2007 grew 11.9% year-on-year, the fifth consecutive year that China has achieved a growth rate at or exceeding 10%, reflecting the rapid growth momentum that China is maintaining. Data published by China's General Customs Administration showed that China's total foreign trade (imports and exports) in 2007 grew 23.5%, giving a growth rate largely the same as that of last year, or reflecting a corresponding growth rate of over 20% for six consecutive years since China's accession to the World Trade Organization in 2002. China's steadily growing economy has given rise to a favourable market environment for ports business to develop and flourish. Fueled by a rapidly rising containerization rate, the container transportation industry in China stems from a strong growth momentum. Statistics released by the National Bureau of Statistics of China revealed that China's container throughput approached 112 million TEU in 2007, marking yet another historically record-high milestone for the container transportation business handled by ports in China.

The Group's core segment of ports operations is based in Mainland China, situated at the five hub locations, covering Pearl River Delta, Yangtze River Delta, Bohai Rim, Xiamen Bay Port Zone and South Western Region. Continuing enhancement of capabilities in this ports network and gradual realization of integration efforts have elevated the Group's business scale and operating abilities to a new level. In 2007, while effecting further environmental improvements for the ports, the Group also optimized the advantages already established in existing resources of ports assets, such as quay lines, scale, network, internal control and customer services. By stepping up marketing and business development efforts which target towards integrating business volumes to be generated by these ports assets, the Group has made significant progress in increasing the number of shipping routes calling on its ports. During the year under review, efforts to continue to make internal improvement also achieved meaningful effects. On the basis of technical demonstration and practices, the Group's endeavours to convert fuel oil-operated equipment to using electricity has obtained technical endorsement and practical application started to be introduced and encouraged. This energy conversion project did not only help to control and save the cost of fuel oil, but also effectively alleviated environmental and sound pollution as well as raised the safety standard of running such equipment, thereby providing a benchmark for the establishment of cost-effective and environmentally friendly ports. The Group believes that developing 'green' ports is the trend for the future, which will not only effectively increase operation efficiency, but also continuously enhance the Group's competitiveness to meet future needs.

The promotion and implementation of the aforementioned measures has facilitated the fast growth of the Group's ports operations.

As at 31 December 2007, the Group's consolidated profit attributable to shareholders was HK$ 3,545 million, representing an increase of 39.6 % over that of the last year. The Group's recurrent profit, on the other hand, increased 29.9 % when compared to that of last year to HK$ 3,405 million. The Group's core segment of ports operations recorded an EBITDA of HK$ 5,166 million, representing an increase of 44.6% over that of last year. The share of EBITDA from this segment relative to the Group's total increased to 77.2% from 71.0% of last year, due mainly to reorganization and integration efforts carried out during the year.

During the year under review, revenue of the Group's business segments amounted to HK$ 6,429 million (an increase of 47.3% year-on-year), of which HK$ 3,318 million was accounted for by the Group's core ports operations (which represented an increase of 72.9% over that of last year).

PORTS OPERATIONS

During the year under review, EBIT derived from the Group's ports operations amounted to HK$ 3,931 million, representing an increase of 33.1% year-on-year. The share of EBIT from this segment relative to the Group's total also rose to 75.1% from 71.1% of last year.

In 2007, container throughputs handled by the Group's ports totaled 47.12 million TEUs, an increase of 17% over that for last year, of which throughputs handled by the Group's ports in Mainland China reached 40.11 million TEUs, an increase 20% year-on-year. All the ports projects in each area in which the Group invested have recorded satisfactory performance. Of these, Western Shenzhen Ports Zone recorded throughputs of 11.03 million TEUs, an increase of approximately 16%; SIPG recorded throughputs of 26.15 million TEUs, an increase of 20%; Ningbo Daxie Port recorded throughputs of 0.7 million TEUs, an increase of 133%; Tianjin Wuzhou Port recorded throughputs of 1.98 million TEUs, an increase of 12%; Zhangzhou Port recorded throughputs of 0.24 million TEUs, an increase of 52%; Hong Kong area recorded throughputs of 7 million TEUs, an increase of approximately 4%. The Group's ports handled 159 million tons of bulk cargoes during the year, revealing a year-on-year increase of 7%.

Contributions from Southern China, primarily comprising Western Shenzhen Ports Zone but also including Zhangzhou, have in 2007 become relatively more significant than those generated by other regions, due mainly to the series of consolidation measures and operational improvements made over the past several years.

During the year under review, the Group completed a series of material transactions which have not only further strengthened the Group's control over the Western Shenzhen Ports Zone but also significantly expanded the scale of the Group's business turnover volume. These transactions included (i) the equity realignment of Shekou Container Terminal, in which the Group's equity interest in the entire project became 70% in late February 2007, to increase to ultimately 80% upon completion of berths no. 8 and no. 9; (ii) the respective increase in equity stakes of, and direct control over, Shenzhen Haixing Port (from 33% to 67%, effective in June 2007) and Mawan Project (from 30% to 70% effective in June 2007). The Group has in June 2007 obtained possession of the piece of land previously owned and operated by You Lian Shipyard. Renovation work to convert the site into a feeder terminal that can supplement the existing facilities of Shekou Container Terminal has started in late 2007. The elevated highway which is intended to link up all key ports at the Western Shenzhen Ports Zone has during the year obtained the approval of the Shenzhen Municipal Government and construction work has commenced. The construction programme is estimated to take approximately one year and is be phased in conjunction with directions from the Shenzhen Municipal Government and the customs offices of the respective key ports. Upon completion of this highway the operation efficiency of the Western Shenzhen Ports Zone is expected to be further enhanced.

Progress in the Group's pursuance to expand its service capabilities at terminals to offering integrated logistics services to its customers has been smooth. In regard to the development of port logistics parks, while both logistics parks in Shenzhen and Qingdao have already commenced their operation, the logistics park in Tianjin Dongjiang bonded port zone has also commenced construction and will in due course provide strong support to the Group's terminal developments within the zone. The Group expects that the sea-rail link expected to be gradually launched at Western

Shenzhen would enhance the gravity of the Western Shenzhen Port to attract inland cargo sources from the hinterland of South China through the rail system. Moreover, the operation of the South China shuttle barge system at the Western Shenzhen Port Zone has been bringing in remarkable results with the network of scheduled barge services having increased to include 29 terminal destinations from 24 terminal destinations at the end of last year, thus further expanding the geographic reach-out of the Group's terminals at the Western Shenzhen Port Zone to include the entire Pearl River Delta and China's Southwestern coastal region.

In 2007, the Group invested RMB1.62 billion for a 45% equity stake in Zhanjiang Port and is entitled to instantly share the operation results of the Zhanjiang Port. This port, the biggest of its kind located in South-Western China and an important maritime gateway in the proximity, possesses accessible inter-modal rail links with respective provinces such as Guangxi, Yunnan, Guizhou and Chongqing and enjoys suitable deep-water geographical conditions including deep approaching channel, specialised docking and ancillary operating facilities to handle bulk resource-based commodity cargoes. Three types of resource-based commodities, viz iron ore, crude and coal constitute more than 75% of the port's total throughput. Such commodities are essential for China in order to continue to fuel the country's fast economic development. On the basis that import volume of the these commodities continues to be steadily growing, the Group expects Zhanjiang Port to command a good opportunity of development.

PORTS-RELATED OPERATIONS

During the year under review, EBIT from the Group's ports-related operations amounted to HK$ 1,138 million, representing an increase of 30.6% compared to that of the last year.

In 2007, the Group's ports-related operations also performed well. The CIMC Group, of which the Group is a substantial shareholder, has its container box manufacture segment sold a total of 2.11 million TEUs (an increase of 34% over those of last year), driven by the satisfactory macro market environment. Its special-purpose vehicle segment which has emerged as a new driving force for the profit growth of the CIMC Group, has progressed satisfactorily in expanding its markets with vehicle sales totaling 0.11 million units during the year, or an increase of 27% year-on-year. Mainly benefiting from the robust growth in container paint and shipping paints, Hempel-Hai Hong (China) Limited, of which the Group is a controlling shareholder, sold a total of 118 million liters of paint for the whole year, a year-on-year increase of 37%.

OTHER BUSINESS

During the year, the Group completed the sale for cash of its highway operations in Mainland China, held through its 71.9% subsidiary, China Merchants Holdings (Pacific) Limited and its equity stake of 40% in the paint business of Valspar Hai-Hong. These corporate streamlining activities, as a result, have resulted in more protruding the gravity of core segment of ports operations and helped the Group to focus its resources in the development of its core ports operations.

LIQUIDITY AND TREASURY POLICIES

As at 31 December 2007, the Group held approximately HK$1,230 million in cash, 26.6% of which was denominated in Hong Kong dollars, 20.3% in US dollars and 53.1% in Renminbi.

The Group's source of funds is mainly derived from its operating activities related to ports and ports-related businesses and investment returns from associates and jointly controlled entities, contributing HK$3,105 million in total. During the year, the Group contributed more than HK$7,942 million in capital expenditure. While the Group has been expanding its investment, the Group continues to adopt a prudent financial policy. The Group is currently financially sound and has abundant cash to meet its daily operating requirements. Besides, as most of the Group's bank loans are medium-to-long-term borrowings while the Group does not anticipate any difficulty in renewing short-term loans, thus the pressure for repaying the short-term loans is limited.

SHARE CAPITAL AND FINANCIAL RESOURCES

As at 31 December 2007, the Company had 2,406,111,200 shares in issue. During the year, the Company issued 17,543,000 new shares upon the exercise of share options and received HK$318 million as a result. Other than the above-mentioned newly issued shares and the issue of 4,300,032 shares under the Company's scrip dividend scheme, the Company issued 50,988,000 shares in the amount of approximately HK$1,804 million, representing part of the consideration for the acquisition of Elite Vantage Investments Limited in June 2007.

As at 31 December 2007, the Group had total outstanding interest-bearing debts of HK$9,385 million, of which HK$2,294 million were repayable within one year, whilst the remaining HK$7,091 million were medium to long-term borrowings. Existing bank loans equivalent to HK$2 million were secured by the assets of subsidiaries. The remaining interest-bearing debts were unsecured. Other than the listed 10-year notes payable of US$500 million issued by the Group in March 2005, all other loans were at floating interest rates.

As at 31 December 2007, the Group's gearing ratio (total interest-bearing debts divided by net assets) was about 35.0%.

82.5% of the interest-bearing debts were denominated in HK dollars and US dollars, while the balance were in Renminbi. These debts were for the benefit of the member companies of the Group with repayment sourcing from income generated in local currencies. As such, the Group did not make use of any financial instruments to hedge against currency risks.

The Group held its assets mainly in HK dollars and Renminbi. The Board is of the view that, as the probability of future depreciation of Renminbi is minimal, it is not necessary to make hedging arrangements for its foreign currency investments.

ASSETS CHARGE

As at 31 December 2007, the Company did not have any charge over its assets. However, certain bank loans borrowed by the Company's subsidiaries were secured. Bank loans of HK$2 million were secured by the property, plant and equipment with net book value at 31 December 2007 of HK$31 million.

EMPLOYEES AND REMUNERATION

As at 31 December 2007, the Company and its subsidiaries employed 5,448 full time staff, of which 199 were working in Hong Kong, 43 were working overseas and the remaining 5,206 were working in the PRC. The remuneration paid for the full year amounted to HK$641 million, representing 13.0% of the total operating expenses of the Group. The remuneration policy of the Group is reviewed every year and appropriate adjustments are made to staff's remuneration with reference to the conditions of the human resources market and the general economy.

The Group also provides internal training to its staff to enable them to achieve self-improvement and to enhance their job-related skills. Moreover, the Group offers year-end bonus as a reward to its staff for their efforts and contribution. The Group also operates a share option scheme, under which qualified staff may exercise their options at an agreed price. The remuneration of directors has been determined with reference to individual's duties, responsibilities and experience, and to prevailing market conditions.

PROSPECTS AND OUTLOOK

A forecast for the global economy by the International Monetary Fund (IMF) reveals that the slow-down in the U.S. economy will drag the pace of the global economic growth. On the other hand, the sustainable strong economic growth denoted in countries and regions including China, India, ASEAN and Russia is expected to offset, to a certain degree, the growth deceleration caused by the US's economic slow-down. The Group maintains, in addition, that the stable economic developments in the Euro Zone which is conducive to the Euro's strength, has and will continue to intensify the development of Asia-Europe trade and, more so, to facilitate trade between China and Europe. In fact, EU has already replaced the U.S. in being China's biggest international trade partner. The increasing diversity of China's international trade mix has, to some extent, mitigated the impact caused by the volatility seen in a single economy on the country's import and export trade.

Insofar as domestic economy is concerned, China is expected to continue to exert appropriate control measures in managing its macro-economy with a view to preventing the economy from being overheated. The Group is of the belief that, as China's economy still treads on positive momentum, noticeably impacted by supportive imputes brought about by foreign trade, macro control measures so implemented are unlikely to have any significant negative effect on China's economy. On the contrary, such macro control measures are expected to lead to a more stable economy that would assure and benefit the country's development in the long term. With regard to the maritime and terminal business, the international containers market on balance is still maintaining its relative supply and demand equilibrium, as a result of which the possible economic slowdown is unlikely to structurally alter the trade and cargo flows correlation. Although factors like foreign trade surplus and appreciation of Renminbi still pose threats on export volume, products from China and indeed from Asia still offer significant competitive advantages, which will unlikely turn away for a considerable period of time in the future. As a result, the Group remains cautiously optimistic about China's current macro-economic environment as well as about the prospects of the ports operating in such market environment.

The Group's ports operations are based in China, and have currently formed a network spanning to all major coastal areas in China. The Group believes that along with China's continuing development and the further and strategic out-rolling of its ports assets will over time bring out the scale impact of its ports operations. In addition, its proactive approach to strengthen and position its associations with Europe-bound shipping routes will enable the Group to effectively reduce the impact on its business due to the slowing down of trade volume growth depicted in the America-bound shipping routes. The Group's Western Shenzhen ports command a comprehensive layout of shipping routes and, upon further operational improvements and optimization in utilizing ports resources as well as phased addition of capacity, the Group expects to continue to capture business growth at rates higher than that of the average market. The Group's ports operations in the Yangtze River Delta, leveraging on the region's strong growth momentum and huge hinterland market potential, will continue to enjoy significant business growth. With the Group's Qingdao Port having established its commercial arrangements for 2008 thereby beginning to release its operational potential, the Group's capabilities in Bohai Rim are expected to gradually translate into the incremental contribution. Zhanjiang Port, of which the Group recently became a 45% shareholder and which is situated in the rapidly growing energy-related importing region in South-Western China, will not only offer good development prospect but also add to the list of profits contributors with growth potential for the Group's long-term benefit. As regards the Group's strategies in the development of ports and panning out of ports network, it will, on the one hand, continue to identify in Mainland China quality ports project with growth potential and, on the other hand, step up resources to explore overseas markets.

In 2008, the Group will continue to its coordination efforts in ports resources allocation and adjusting corporate structure, and to pursue further integration of ports operations. Through commercial cooperation and operational cooperations, and equity consolidation, the Group seeks to further strengthen business integration with a view to enhancing resources-sharing and overall competitive edge (by fully deploying synergies derived from the ports network), thereby aiming to swing the Group's capabilities from merely scale-and-speed to quality and efficiency.

Meanwhile, the Group visualizes that growth in ports operations will more and more hinge on the development of a comprehensive logistics industry. That is, ports and logistics business mutually complement and supplement each other. Prevailing ports development will trend towards the development of logistics establishments integrated with the ports' facilities. As a consequence, the Group intends to, on the one hand, accelerate the construction and development of logistics parks already committed and their respective supportive transportation network with a view to providing tangible support for its ports operation in terms of scale, ancillary functions and service efficiency. On the other hand, it aims to expand the ports' hinterland coverage, leveraging on the network of South China Shuttle already established, the geographical advantage of the Group's Western Shenzhen Ports Zone, and the transshipment characteristics of Pearl River. Through the provision to shippers (cargo owners) of favorable and user-friendly commuter water transportation mode, the Group seeks to actively attract cargo sources from the Pearl River Delta, capitalising on the edge offered by Western Shenzhen Ports Zone. In addition, in pursuance towards the development of a fully-integrated ports logistics industry, the Group has endeavoured to connect the sea-rail transportation link in Western Shenzhen Ports Zone, thereby establishing a channel through which both inbound and outbound inland cargoes can flow. This channel is expected to help explore the domestic China market, thereby enhancing the operating capacity and distribution capability of respectively the ports and the relevant rail system as well as expanding the port's hinterland through the rail system.

As for new projects development during 2008, the Group will continue to consolidate the business network for its container ports and seek investment opportunities for quality resources-related dedicated bulk cargo terminals — as a means to strengthen the Group's position and operating capabilities as a ports operator with a comprehensive ports network in Mainland China. On the other hand, the Group will seek to progressively explore ports operations overseas. Basing on the resources and capability of its existing ports network, the Group intends to identify an overseas approach which synergies with those offered by the Group's existing ports network in Mainland China. The Group will continue to closely monitor all overseas markets and seeks to formulate a prudent and steady strategy through which to seek suitable overseas development projects and to geographically enlarge the scope of core segment business operating activities, hereby improving the Group's competitive edge in the international ports market. The Group is of the view that these new projects upon implementation will further vitalise the Group's business development.

With China's economy continuing its growth at a rapid pace and the increasingly frequent trading activities among countries and regions in the world, the Group firmly believes, the ports industry will continue to enjoy significant room for growth and development for a considerably long period of time in the future. The Group will continue to capitalize on the advantages it possesses, enhance its business operations and assets redeployment, and strengthen its corporate control, to streamline its operational flow with a view to reducing wastage and ensuring the optimal and effective use of resources. The Group will also aim to forge closer working relationships with strategic partners and intensify efforts in the research and analysis of external market environment, thus ensuring the further expansion of the Group's core ports segment as well as sharpening further the Group's competitive edge and abilities to improve its operating and risks control, all in all to enhance its service qualities which will return satisfactory financial gains to its shareholders.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the review of the audited financial statements for the year ended 31 December 2007.

CORPORATE GOVERNANCE

The Board is committed to upholding a high standard of corporate governance practices and business ethics with the firm belief that they are essential for maintaining and promoting investors' confidence and maximising shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellent corporate governance.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code.

In November 2004, the Stock Exchange promulgated the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Listing Rules which sets out the corporate governance principles and the code provisions ("Code Provisions") with which the listed issuers are expected to follow and comply. In the opinion of the Directors, save as disclosed below, the Company has complied with the Code Provisions set out in the CG Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2007.

Code Provision A.2.1

Due to the resignation of Mr. Li Yi as an Executive Director and the Managing Director of the Company with effect from 31 May 2005, Dr. Fu Yuning, the Chairman of the Company, has also been acting as the Managing Director of the Company with effect from 31 May 2005. Having performed the roles of the Chairman and the Managing Director of the Company for over two years, the Board considers that as Dr. Fu has been leading the Company and is most aware of the Company's strategic policies and development, it is in the best interests of the Company for the roles of Chairman and Managing Director to be combined and performed by Dr. Fu to facilitate the efficient formulation and implementation of the Company's strategies thereby enabling the Company to seize business opportunities promptly and efficiently.

The current practices will be reviewed and updated regularly to reflect as much as possible the latest best practices in corporate governance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The 2007 annual report will be published on the website of the Stock Exchange in due course. Statutory financial statements for the year ended 31 December 2007, which contain an unqualified auditors report, will be delivered to the Registrar of Companies, and despatched to shareholders as well as made available on the Company's website at http://www.cmhi.com.hk.

By order of the Board
Dr. Fu Yuning
Chairman

Hong Kong, 15 April 2008

ABBREVIATIONS

"Board"	the board of Directors
"CIMC Group"	China International Marine Containers (Group) Co., Ltd.
"Company"	China Merchants Holdings (International) Company Limited
"Directors"	the directors of the Company
"EBIT"	earnings before net interests, tax, unallocated income less expenses and minority interest ("Adjusted Earnings") for the Company and its subsidiaries, and its share of Adjusted Earnings of associates and jointly controlled entities
"EBITDA"	earnings before net interests, tax, depreciation and amortisation, unallocated income less expenses and minority interest ("Defined Earnings") for the Company and its subsidiaries, and its share of Defined Earnings of associates and jointly controlled entities

"Group"	the Company and its subsidiaries, associates and jointly controlled entities
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China
"SIPG"	Shanghai International Port (Group) Co., Ltd.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

As at the date of this announcement, the Board comprises Dr. Fu Yuning, Mr. Li Yinquan, Mr. Hu Zheng, Mr. Meng Xi, Mr. Su Xingang, Mr. Hu Jianhua, Mr. Wang Hong, Mr. Yu Liming and Mr. To Wing Sing who are the executive Directors, Mr. Tsang Kam Lan, Mr. Kut Ying Hay, Mr. Lee Yip Wap Peter, Mr. Li Kwok Heem John and Mr. Li Ka Fai David who are the independent non-executive Directors.